STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2017

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June 11, 2019

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a coordinated examination, as of December 31, 2017, has been made of the financial condition and business affairs of:

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as the "Company," and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

This full-scope examination of the Company was conducted by representatives of the Utah Insurance Department (Department), and covers the period of January 1, 2016 through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination is part of a multi-state coordinated examination which Utah acts as the lead and coordinating state and Indiana acts as the participating state. The three companies under this examination were Equitable Life & Casualty Insurance Company, Equitable National Life Insurance Company (Equitable National), and Sterling Investors Life Insurance Company (Sterling). The Company and Equitable National are domiciled in Utah, and Sterling is domiciled in Indiana. The examination period for Equitable National and Sterling was the period of January 1, 2013 through December 31, 2017.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following items are significant findings and recommendations for inclusion in this report:

1. The Appointed Actuary of the Company did not, pursuant to NAIC Annual Statement Instructions, present his reserving report to the Board of Directors (the Board).

   The Company agreed with the examination finding. During examination fieldwork, the Company provided the April 10, 2019 Board meeting minutes which contained evidence of actuarial presentation of reserves and relevant information as of December 31, 2018.

2. The Company did not report its surplus note in accordance with NAIC Annual Statement Instructions, which require the utilization of a defined table to report surplus debenture characteristics in the Notes to Financial Statements. In addition, the Company did not disclose certain surplus note details in accordance with Statement of Statutory Accounting Principle (SSAP) No. 41R, paragraphs 17k, 17l and 17m.

   The Company agreed to make the necessary corrections beginning with the next statutory financial statement filing (See <u>Mergers and Acquisitions</u>).

3. The Company was granted a permitted practice by the Department to allow for otherwise non-admissible goodwill from June 30, 2017 to December 31, 2019. Pursuant to SSAP No. 68, paragraph 7, the 10% limitation of goodwill is based on adjusted capital and surplus as of the most recently filed statutory financial statement. The Company inaccurately disclosed the 10% limitation in the Notes to Financial Statements using current adjusted capital and surplus instead of prior period-end adjusted capital and surplus.

   The Company agreed to make the necessary corrections beginning with the next statutory financial statement filing (See <u>Mergers and Acquisitions</u>).

4. The Company recorded an $18,000,000 capital contribution from Equitable Family Insurance Group (Equitable Family), the immediate parent of the Company, as of December 31, 2018. However, the funds were not infused until after the filing of the 2018 Annual Statement. Pursuant to SSAP No. 72, paragraph 8, transactions must take place on or before the filing of the statutory financial statement in order to be treated as a Type 1 subsequent event. Therefore, the receivable should have been non-admitted as of December 31, 2018.

   During examination fieldwork, the Company submitted a permitted practice request to the Department to recognize this receivable as of December 31, 2018. The permitted practice was approved on May 9, 2019 (See SUBSEQUENT EVENTS).

Status of Prior Exam Findings

The prior examination covered the period of January 1, 2013 through December 31, 2015. There are no outstanding issues from the prior examination that have not been corrected by the Company.

COMPANY HISTORY

General

Equitable Mutual Life Insurance Company of Utah was founded by the Ross family and incorporated on June 6, 1935 under the laws of the State of Utah as a mutual benefit assessment association. The Company changed its name to Equitable Life & Casualty Insurance Company on May 18, 1938. The Company converted to a capital stock company on May 20, 1946.

An amendment to the Articles of Incorporation was made on January 11, 2017 in which total authorized common stock was reduced to 100,000 shares. All issued and outstanding shares of common stock were converted so that 379,824 shares of pre-conversion common stock equaled 20 shares of converted common stock. As of December 31, 2017, the Company had 100,000 shares of authorized no-par common stock; 20 shares were issued, outstanding and held by Equitable Family.

The bylaws were amended during the examination period, replacing the prior version in its entirety. The bylaws govern the actions, affairs and concerns of the corporation, its directors, officers and shareholders and their relation to one another.

Mergers and Acquisitions

On February 10, 2017, SILAC filed with the Department, a Form A, Statement Regarding the Acquisition of Control of or Merger, of the Company. Prior to the merger, the Company was directly owned by Insurance Investment Company (IIC). IIC owned 95% of Company common stock and the remaining 5% were owned by a combination of minority shareholders. The holding company was ultimately owned and controlled by Mr. Roderick Ross.

Pursuant to a Plan of Merger, IIC changed its name to Equitable Family Insurance Group, Inc. (Equitable Family), and became wholly-owned by SILAC. Effective February 1, 2019, the State of Delaware approved the conversion of SILAC from a Delaware Limited Liability Company to a Delaware Corporation pursuant to Section 265 of the Delaware General Corporation Law. The name, as set forth in its Certificate of Incorporation, is SILAC, Inc.

On February 1, 2017, the Company completed a Stock Purchase Agreement with The Phoenix Companies, Inc., a Delaware corporation and sole shareholder of American Phoenix Life and Reassurance Company (American Phoenix), to purchase all outstanding shares of American Phoenix for $7,322,922. Upon closing, American Phoenix changed its name to Equitable National Life Insurance Company and re-domesticated from Connecticut to Utah.

On April 18, 2017, SILAC contributed Sterling to the Company and Sterling became a wholly-owned subsidiary of the Company. In exchange for the contribution of Sterling, the Company issued a $14,250,000 surplus note to SILAC. No interest or principal payments were made during the examination period or subsequent.

The Company did not report the surplus note in accordance with NAIC Annual Statement Instructions, which requires the utilization of a defined table to report surplus debenture characteristics in the Notes to Financial Statements. In addition, the Company did not disclose certain surplus note details in accordance with SSAP No. 41R, paragraphs 17k, 17l and 17m.

Furthermore, the Company was granted a permitted practice to allow for otherwise non-admissible goodwill which resulted from the assumption of control of Sterling. Pursuant to SSAP No. 68, paragraph 7, the 10% limitation of goodwill is based on adjusted capital and surplus as of the most recently filed statutory financial statement. The Company inaccurately disclosed the 10% limitation in the Notes to Financial Statements using current adjusted capital and surplus instead of prior period-end adjusted capital and surplus.

Dividends and Capital Contributions

The Company paid dividends to policyholders in the amounts of $3,587 and $311 during the years-ended December 31, 2017 and December 31, 2016, respectively.

The Company paid $621,539 during 2017 to purchase 3,651 shares of outstanding common stock owned by a number of minority shareholders.

Effective April 18, 2017, the Company issued a dividend of all 1,500 outstanding shares of Triad Insurance Administrators (Triad) to Equitable Family.

The Company made a $2,500,000 capital contribution to Equitable National on June 21, 2017.

No stockholder dividends were declared or paid during the period under examination.

Subsequent to the examination date, the Company received an $18,000,000 capital contribution from Equitable Family (see SUBSEQUENT EVENTS).

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Amended and Restated Bylaws of the Company indicate that the Board shall be neither less than three (3) nor more than twenty-five (25) directors. The following persons served as directors for the Company as of December 31, 2017:

Name and Location	Primary Occupation
Stephen C. Hilbert Carmel, IN	Chairman of the Board, President, Chief Executive Officer Equitable Life, Equitable National, Sterling
Ngaire E. Cuneo Naples, FL	Executive Vice President – Corporate Development Equitable Life, Equitable National, Sterling
James S. Adams Indianapolis, IN	Vice Chairman, Chief Financial Officer, Treasurer Equitable Life, Equitable National, Sterling
Scott D. Matthews Fishers, IN	Chief Legal Officer, Secretary Equitable Life, Equitable National, Sterling
Tomisue S. Hilbert Carmel, IN	Director Equitable Life, Equitable National, Sterling
William C. Stone* Naples, FL	Chairman of the Board, Chief Executive Officer SS&C Technologies Holdings, Inc.

* - independent director

Committees

The Amended and Restated Bylaws establish an Audit Committee, Finance and Investment Committee, Risk Management Committee and Compensation Committee. Each committee shall consist of three (3) or more directors.

Committees and the respective committee members as of December 31, 2017 were as follows:

Audit Committee	Finance and Investment Committee
William C. Stone	James S. Adams
James S. Adams	Stephen C. Hilbert
Ngaire E. Cuneo	Ngaire E. Cuneo
Tomisue S. Hilbert	

Risk Management Committee	Compensation Committee
Scott D. Matthews	Stephen C. Hilbert
James S. Adams	James S. Adams
Ngaire E. Cuneo	Ngaire E. Cuneo

Officers

The Amended and Restated Bylaws provide for principal officers to consist of a Chief Executive Officer, a President, up to five (5) Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors.

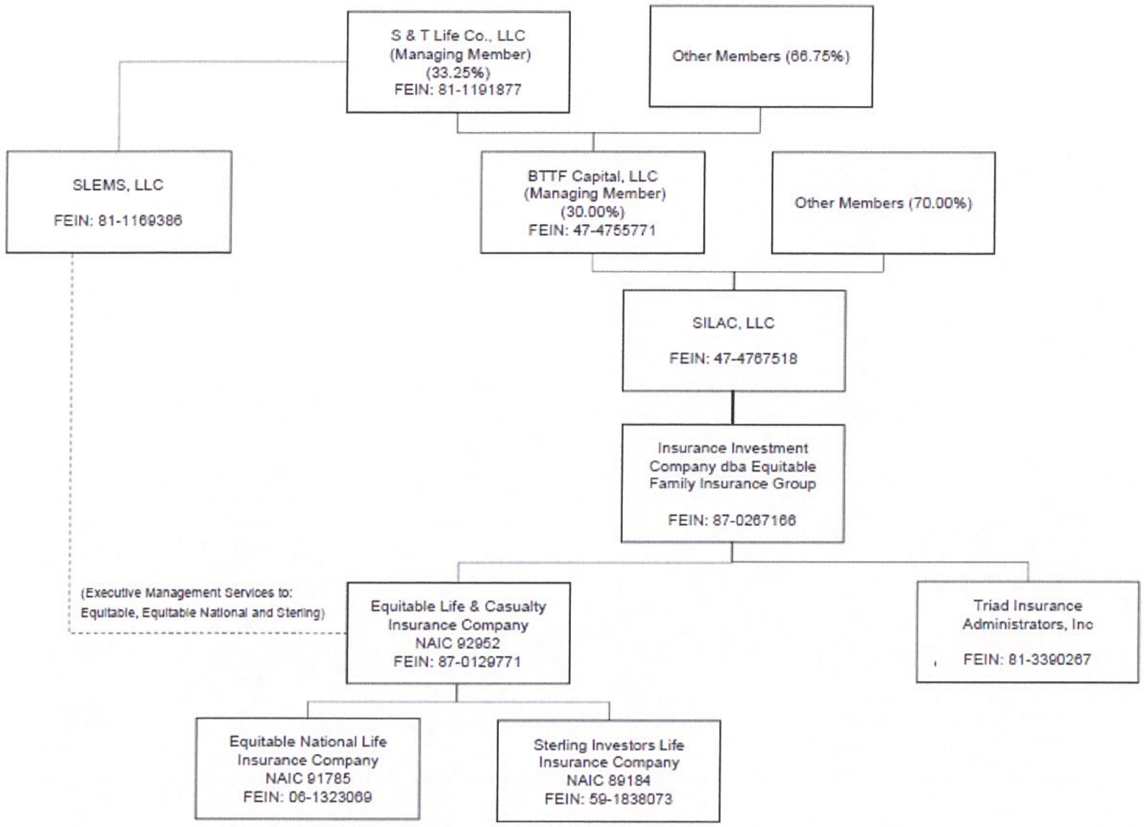
The officers of the Company as of December 31, 2017 were as follows:

Name	Title
Stephen C. Hilbert	Chairman of the Board, President, Chief Executive Officer
Ngaire E. Cuneo	Executive Vice President – Corporate Development
James S. Adams	Vice Chairman, Chief Financial Officer, Treasurer
Scott D. Matthews	Chief Legal Officer, Secretary

Holding Company

The Company is a member of a holding company as defined in Utah Code § 31A-16 and is a wholly-owned subsidiary of Equitable Family, a Utah corporation. The ultimate controlling person of the holding company is Mr. Stephen C. Hilbert.

The following organizational chart depicts the holding company as of December 31, 2017:



Transactions and Agreements with Affiliates

The following agreements were in place as of the date of this examination report:

Executive Management Agreement with Affiliates
SLEMS, LLC (SLEMS), an affiliated Indiana limited liability company, Equitable Family, the Company, Equitable National, Sterling and Triad (collectively, the Service Recipients) entered into an Executive Management Agreement. Under the terms of the agreement, SLEMS provides executive management services such as strategic planning, accounting and operational oversight to the Service Recipients. SLEMS consultants are comprised of the four (4) executive officers of the Company.

The Service Recipients collectively compensate SLEMS an annual management fee of $3,600,000. SLEMS is also entitled to receive additional compensation equal to 1% of the difference between total combined assets of the Company, Equitable National and Sterling as of the current year-end and as of December 31, 2016. The additional fee is not paid if such payment would cause risk-based capital level to fall below 300%. Total fees paid to SLEMS will not exceed $5 million annually. For the year-ended December 31, 2017, the Company paid $2,280,000 to SLEMS pursuant to the terms of this agreement.

Administrative Services Agreement with Equitable National and Sterling
Under the terms of this agreement, the Company provides policy issuance; agency; premium collection and accounting; claims handling; commission accounting; policy owner; legal and compliance; actuarial; and insurance accounting services to Equitable National and Sterling. Payments to the Company are based on the actual time Company employees dedicate to services provided to these subsidiaries.

This agreement was not materially implemented during the examination period due to minimal Equitable National business and limited need by Sterling.

Amended and Restated Tax Consolidation Agreement with Equitable National and Sterling
Under the terms of this agreement, the Company files a consolidated federal income tax return. Each party pays taxes owed or receives tax refunds in an amount equal to what would have been paid or received if the parties filed separately. Equitable National and Sterling reimburse the Company for all costs incurred in connection with any audit, proceeding and expenses relating to their respective tax returns. The first consolidated tax return filed by the Company was for the year-ended December 31, 2017.

Capital Maintenance Agreement with SILAC
Under the terms of this agreement, SILAC agrees to ensure total adjusted capital of the Company is maintained at a level of at least 300% of the authorized control level risk-based capital as defined in Utah Code § 31A-17-601. If, at the end of any calendar quarter, policyholder surplus of the Company is below this threshold, SILAC will contribute the necessary capital within 45 days of the end of such quarter. No capital was contributed by SILAC to the Company during the examination period.

TERRITORY AND PLAN OF OPERATIONS

The primary business of the Company is the sale of individual life and accident and health insurance products through a sales force of independent general agents. The major product lines during the examination period consisted of the following:

Medicare Supplement – The EquiChoice product series offers Medicare Supplement plans A, F, G and N with simplified underwriting. All plans are guaranteed renewable with unlimited lifetime benefits. The Company has an arrangement with a nationwide group of hospitals through USA Managed Care Organization, which offers Medicare Supplement policyholders a reduced inpatient deductible at participating hospitals.

To avoid adverse selection with the launch of competitive Medicare Supplement plans by Equitable National, the Company withdrew its plans from the marketplace effective June 25, 2018. The Company continues to service its existing Medicare supplement policyholders.

Life – Heritage Protector offers whole life coverage to individuals ages 50 through 85. Face amounts range from $2,000 to $30,000 based on the plan selected. Benefits will never decrease and premiums will never increase, and benefits are paid out in one lump sum.

Long-Term Care – Long-term care is a closed block of business and has benefit periods of five (5) years or more. Sales of this product were discontinued in 2010.

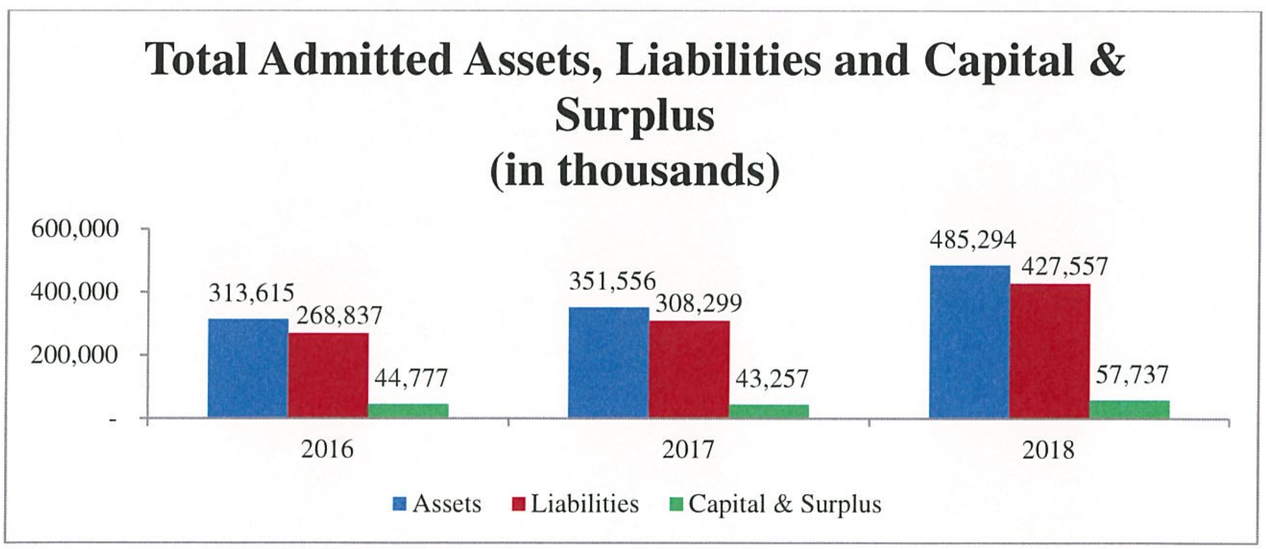
Cash Benefit Products – Limited benefit supplement plans include Cancercare+ (Cancer), EquiCash (Hospital Indemnity), and Equicare 790 (Short-stay nursing home).

As of December 31, 2017, the Company was licensed to transact business in all states and the District of Columbia except: California, Minnesota, New Jersey and New York.

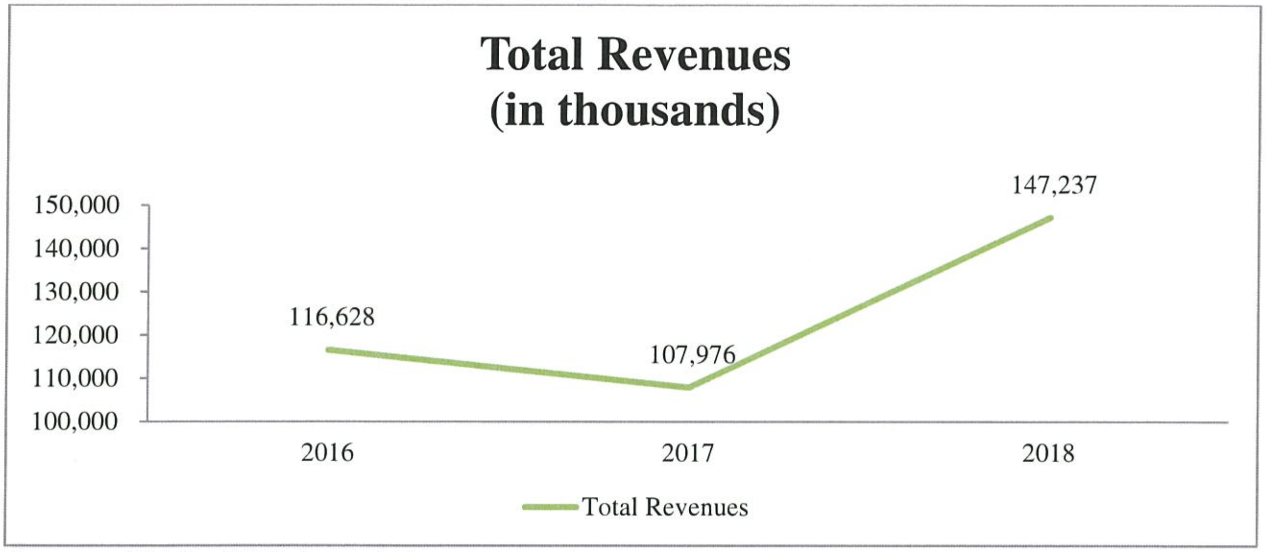
Subsequent to the examination period, the Company introduced two multi-year guaranteed annuity products, Secure Savings and Secure Savings Elite. The Secure Savings product is offered to individuals ages 18 to 90 and the Secure Savings Elite product is offered to individuals ages 18 to 85. Contract holders are credited with a guaranteed fixed interest rate for the period selected, either two (2) or five (5) years. The minimum and maximum single premium is $10,000 and $500,000, respectively.

GROWTH OF COMPANY

During the examination period, the Company did not experience substantial changes in its financial position. In the period subsequent, the Company experienced significant growth due primarily to revenues from the multi-year guaranteed annuity products and the capital contribution from SILAC. Therefore, the following graphs illustrate the growth of the Company during the examination period and in the year subsequent.



Sources: 2016 – 2018 Annual Statements



Sources: 2016 – 2018 Annual Statements

REINSURANCE

Ceded

The following reinsurance agreements were in place for each of the product lines of the Company:

Long-Term Care

- Effective May 1, 1987, the Company entered into a Coinsurance Agreement with London Life Reinsurance Company, an authorized reinsurer domiciled in Pennsylvania. Under the terms of this agreement, the Company retains 100% in the first two years of losses then cedes 90% of losses thereafter for covered policies. For the year-ended December 31, 2017, premiums ceded were $1,462 and the reserve credit was $12,058,258.

- Effective June 1, 1987, the Company entered into a Coinsurance Agreement with Employer's Reassurance Corporation, an authorized reinsurer domiciled in Kansas. Under the terms of this agreement, the Company retains all policies for the first two years of losses then cedes 90% of losses thereafter for covered policies. For the year-ended December 31, 2017, premiums ceded were $317,228 and the reserve credit was $900,740.

- Effective January 1, 1994, the Company entered into Coinsurance Agreements with Swiss Re Life and Health America Inc., Sun Life Assurance Company of Canada, and Transamerica Life Insurance Company, authorized reinsurers domiciled in Connecticut, Michigan and Iowa, respectively. Under the terms of these agreements, the Company cedes 20% in the first two years of losses then cedes 90% of losses thereafter for covered policies. For the year-ended December 31, 2017, combined premiums ceded were $2,365,075 and the combined reserve credit was $44,653,180.

- Effective May 1, 2000, the Company entered into a Coinsurance Agreement with Munich American Reassurance Company, an authorized reinsurer domiciled in Georgia. Under the terms of this agreement, the Company cedes 20% in the first two years of losses then cedes 90% thereafter for covered policies. For the year-ended December 31, 2017, premiums ceded were $24,801 and the reserve credit was $104,132,028.

- Effective January 1, 2008, the Company entered into a Coinsurance Agreement with RGA Reinsurance Company, an authorized reinsurer domiciled in Missouri. Under the terms of this agreement, the Company cedes 50% of covered policies issued before 2009 and 70% of covered policies issued after 2009. For the year-ended December 31, 2017, premiums ceded were $2,748,959 and the reserve credit was $12,067,544.

Medicare Supplement

- Effective November 20, 2012, the Company entered into a Coinsurance Agreement with Aetna Life Insurance Company (Aetna), an authorized reinsurer domiciled in Connecticut. The Company terminated this agreement for new business in 2016 then subsequently reinstated in 2017, retroactive to the termination date. Under the terms of this agreement, Aetna assumes 95% and the Company retains 5% of all premiums and claims of covered policies. For the year-ended December 31, 2017, premiums ceded were $111,290,599 and the reserve credit was $1,087,827.

- Effective December 31, 2013, the Company entered into a Coinsurance Agreement with Gen Re Life Corporation (Gen Re), an authorized reinsurer domiciled in Connecticut. Under the terms of this agreement, Gen Re assumes all premiums and claims covered policies. For the year-ended December 31, 2017, premiums ceded were $16,639,154 and there was no reserve credit taken by the Company.

Life

- Effective January 1, 2009, the Company entered into a Coinsurance Agreement with Optimum Re Insurance Company, an authorized reinsurer domiciled in Texas. Under the terms of this agreement, the Company cedes 60% and retains 40% of the covered policies' face value up to $30,000. For the year-ended December 31, 2017, the amount of insurance in-force was $43,863,756 and the reserve credit taken was $7,987,379.

- Effective September 30, 2010, the Company entered into a Coinsurance Agreement with Oxford Life Insurance Company, an authorized reinsurer domiciled in Arizona. Under the terms of this agreement, the Company cedes 100% of all covered policies. For the year-ended December 31, 2017, the amount of insurance in-force was $59,827,638 and the reserve credit taken was $30,515,685.

- Effective May 1, 2013, the Company entered into a Coinsurance Agreement with Americo Financial Life and Annuity Insurance Company, an authorized reinsurer domiciled in Texas. Under the terms of this agreement, the Company cedes 95% of all covered policies. For the year-ended December 31, 2017, the amount of insurance in-force was $51,844,464 and the reserve credit taken was $3,843,096.

Annuities
Subsequent to the examination date, the Company introduced two multi-year guaranteed annuity products. To reinsure these products, the Company entered into a Funds Withheld Coinsurance Agreement with Knighthead Annuity & Life Assurance Company, an unauthorized reinsurer domiciled in the Cayman Islands (see SUBSEQUENT EVENTS).

Assumed

Effective January 1, 2009, the Company entered into a Coinsurance Agreement with Heartland National Life Insurance Company, an insurer domiciled in Indiana. Under the terms of this agreement, the Company assumes 95% of policies subject to an annualized premium limit of $20,000,000. For the year-ended December 31, 2017, assumed premiums were $1,808,415.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2017. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
BALANCE SHEET
as of December 31, 2017

ASSETS

	Net Admitted Assets
Bonds	$ 218,187,563
Common stocks	24,252,147
First liens - mortgage loans on real estate	12,644,869
Other than first liens – mortgage loans on real estate	4,002,850
Cash, cash equivalents and short-term investments	44,385,357
Contract loans	798,307
Other invested assets	502,864
Receivables for securities	3,744,268
Investment income due and accrued	2,489,773
Uncollected premiums and agents' balances in the course of collection	152,376
Deferred premiums and agents' balances booked deferred and not yet due	842,775
Amounts recoverable from reinsurers	24,826,555
Other amounts receivable under reinsurance contracts	5,494,333
Current federal and foreign income tax recoverable and interest thereon	25,406
Net deferred tax asset	7,054,747
Guaranty funds receivable or on deposit	970,759
Electronic data processing equipment and software	662,755
Aggregate write-ins for other than invested assets	517,908
Total Assets	$ 351,555,612

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
BALANCE SHEET (Continued)

as of December 31, 2017

LIABILITIES, SURPLUS AND OTHER FUNDS

	Current Year
Aggregate reserve for life contracts	$ 13,062,515
Aggregate reserve for accident and health contracts	226,024,129
Liability for deposit-type contracts	227,725
Contract claims: life	829,181
Contract claims: accident and health	5,042,345
Dividends apportioned for payment	304
Coupons and similar benefits	307
Premiums and annuity considerations received in advance	11,518
Other amounts payable on reinsurance	23,410,182
Interest maintenance reserve (IMR)	4,070,882
General expenses due or accrued	5,882,311
Taxes, licenses and fees due or accrued, excluding federal income taxes	375,328
Unearned investment income	8,312
Amounts withheld or retained by company as agent or trustee	153,606
Amounts held for agents' account	1,918,596
Remittances and items not allocated	64,277
Borrowed money and interest thereon	1,822,467
Asset valuation reserve (AVR)	2,206,895
Payable to parent, subsidiaries and affiliates	19,356
Payable for securities lending	21,950,531
Aggregate write-ins for liabilities	1,218,197
Total Liabilities	$ 308,298,964
Common capital stock	2,500,000
Surplus notes	14,250,000
Unassigned funds (surplus)	26,506,648
Total Capital & Surplus	43,256,648
Total Liabilities, Surplus and Other Funds	$ 351,555,612

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2017

	Current Year
Premiums and annuity considerations	$ 59,657,613
Net investment income	10,784,545
Amortization of interest maintenance reserve (IMR)	521,954
Commissions and expense allowances on reinsurance ceded	36,207,010
Reserve adjustments on reinsurance ceded	738,690
Aggregate write-ins for miscellaneous income	65,770
Total income	$ 107,975,582
Death benefits	$ 2,608,861
Disability benefits and benefits under accident and health contracts	50,276,412
Coupons, guaranteed annual pure endowments and similar benefits	5,297
Surrender benefits and withdrawals for life contracts	49,500
Interest and adjustments on contract or deposit-type contract funds	1,408
Increase in aggregate reserves for life and accident and health contracts	6,702,250
Total benefits and reserves	$ 59,643,728
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	$ 26,675,416
Commissions and expense allowances on reinsurance assumed	218,946
General insurance expenses	23,665,446
Insurance taxes, licenses and fees, excluding federal income taxes	4,754,782
Increase in loading on deferred and uncollected premiums	(73,965)
Aggregate write-ins for deductions	1,882
Total expenses	55,242,507
Total expenses, benefits and reserves	$ 114,886,235
Net gain (loss) before dividends to policyholders and federal income taxes	$ (6,910,653)
Dividends to policyholders	3,587
Net gain (loss) after dividends, before federal income taxes	(6,914,240)
Federal and foreign income taxes incurred	(175,235)
Net gain after dividends and taxes, before realized capital gains (losses)	(6,739,005)
Net realized capital gains (losses)	49,020
Net income (loss)	$ (6,689,985)

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2016 through 2017

	2016	2017
Capital and surplus, December 31, prior year	$ 46,230,596	$ 44,777,295
Net income (loss)	(2,085,618)	(6,689,985)
Change in net unrealized capital gain (loss)		(639,647)
Change in net deferred income tax	1,072,432	(3,587,565)
Change in nonadmitted assets	2,810,140	1,808,487
Change in asset valuation reserve	3,083	(1,007,003)
Change in surplus notes	-	14,250,000
Change in surplus from reinsurance	(3,253,338)	373,705
Aggregate write-ins for gains and losses	-	(6,028,638)
Net change in capital and surplus for the year	(1,453,301)	(1,520,647)
Capital and surplus, December 31, current year	$ 44,777,295	$ 43,256,648

ANALYSIS OF CHANGES AND COMMENTS ON FINANCIAL STATEMENTS

Capital and surplus $43,256,648

The capital and surplus of the Company was determined to be the same as reported in the annual statement as of December 31, 2017.

There were no adjustments made to surplus as a result of the examination.

The Company's minimum capital requirement was $400,000 as defined in Utah Code § 31A-5-211(2)(a). As defined by Utah Code § 31A-17 Part 6, the Company had total adjusted capital of $45,754,742 which exceeded the authorized control level risk-based capital requirement of $11,412,162.

SUBSEQUENT EVENTS

The following material subsequent events were identified during the examination fieldwork

- During 2018, the Company introduced two multi-year guaranteed annuity products. Effective January 1, 2018, the Company entered into an Administrative Services Agreement with Actuarial Management Resources to administer these annuities.

  Effective July 1, 2018, the Company entered into a Funds Withheld Coinsurance Agreement with Knighthead Annuity & Life Assurance Company, an unauthorized reinsurer domiciled in the Cayman Islands, to reinsure the annuity contracts. Under the terms of this agreement, the Company may adjust its retention on a quarterly basis subject to a minimum retention of 20% and a maximum retention of 80%. For the year-ended December 31, 2018, premiums ceded were $65,311,358 and the reserve credit was $66,848,487.

- The Company recorded an $18,000,000 capital contribution from Equitable Family, the immediate parent, as of December 31, 2018. However, the funds were received subsequent to the filing of the 2018 Annual Statement. Pursuant to SSAP No. 72, paragraph 8, transactions must take place on or before the filing of the statutory financial statement in order to be treated as a Type 1 subsequent event. Therefore, the receivable should be non-admitted as of December 31, 2018.

  During examination fieldwork, the Company submitted a permitted practice request to the Department to recognize this receivable as of December 31, 2018. The permitted practice was approved on May 9, 2019.

ACKNOWLEDGEMENT

T. Michael Presley, FSA, MAAA, and Lisa Parker, ASA, MAAA, of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Tracy D. Gates, CISA, CFE, CPA, of Highland Clark, LLC, performed the information systems review. Edward Toy of Risk & Regulatory Consulting, LLC, performed the investment review portion of the examination. Jake Garn, CPA, CFE, Chief Examiner, supervised the examination. In addition, Natasha Robinson, AFE, Financial Examiner, and Cambria Shore, Financial Examiner, both of the Utah Insurance Department, and Clarissa Crisp, CFE, of Risk & Regulatory Consulting, LLC, participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Malis Rasmussen, MSA, CFE, SPIR
Deputy Chief Examiner, Examiner-in-Charge
Utah Insurance Department